

NATIONAL REVIEW

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Memo to JFK: When you see de Gaulle, remember this: he is a great man but he is out of this world, and hasn't shown—ever—the quality of foresight while dealing with the Communists. The imperial glory of France, G's mystique, is as unrelated to present circumstances as knight errantry was to Don Quixote's. Economically, France is doing just so-so, better than England; worse, much worse, than West Germany. The Communist Party in France is the third largest in the world. De Gaulle himself is the only man who can cope with it; but he hasn't taken any measures to seriously weaken it. The Right (in the last analysis the only source of anti-Communist resolve, everywhere in the world) is in total disarray. He has humiliated the entire class of Frenchmen who wanted to hold fast to the (glorious) idea of France, in Algeria, in West and Central Africa, in Southeast Asia. Just 20 years ago his country (all but the noble *maquis*) yielded to Hitler like a cow to the milkman. After the war a succession of the best leaders in France tried to get the nation to work together: and they failed; and the people failed them. There are centrifugal forces at work in France which are greater than de Gaulle. Any institutional arrangements you make with him involving the role of France in NATO might be okay so long as G is alive and in charge, but when he dies? It isn't likely that he will, before he dies, succeed in infusing his idea of French solidarity into that disinte-

grating nation. So don't run the essential line of command through the French bureaucracy, please.

Re Khrushchev: You're talking to a man who exactly a year ago told all the people of the world that your predecessor was a double-crossing nincompoop (quote unquote) unfit to run a kindergarten. That may be the Russian version of our campaign rhetoric and you, as a pro, would understand this. But don't give him the impression that after all is said and done, you realize you belong to the same profession: you are pols, first and foremost, and you have gone to Vienna for a little *gemütlichkeit*, the world's capital for that sort of thing, right where they bottle it. K is not merely a technician for the Russian national interest. He is an ideological desperado. Remember, you warned last summer against Summit diplomacy. Actually, you were only half right. There isn't anything wrong with Summit diplomacy provided our side takes advantage of such conferences to push our aims. For instance, you *could* say: "Here I am, Mr. Chairman. Let me see now, we have no fixed agenda? Well, my intentions are to discuss with you a suitable timetable for the holding of free elections in East Germany, for the restitution of religious liberty in Tibet, and for the withdrawal of your agents of chaos from Mr. Monroe's hemisphere. I shall report your reactions to these questions at length, every night, to the reporters outside."

Try that. Just one time. Of course, you will want to doll it up a little, but you have a couple of belletrists in your party, surely. If you run short, you can always count on us.

Yours respectfully,

Your unemployed advisers

at NATIONAL REVIEW (a Depressed Area)

The WEEK

● When pollster Samuel Lubell asked an accountant's wife in New York City how she thought President Kennedy was doing, her answer was very well indeed. "Kennedy won't let the Russians mince words. He'll *force* neutralism down the Red throat."

● General Maxwell Taylor has recommended that the "operations" function of the CIA be placed under the military branch and metamorphosed into a force capable of conducting guerrilla warfare and other "unorthodox" tactics. (Unorthodox, that is, to us; but SOP for the Communists during the past forty years.) This suggestion, related to the call for transport aircraft and further development of "conventional" military force, bespeaks a rising awareness of the fact that the Communist thrust should be met on all levels, with all types of weapons. So far, so good; but we shall repeat until we no longer need to repeat it, that all the weapons and all the guerrilla troops in the world will avail us naught until we have the will and the nerve to use them.

● Castro's proposal to ransom his prisoners with U. S. tractors has blossomed into a partisan political scrimmage. Arguing in favor of it are President Kennedy, Hubert Humphrey, Eleanor, Walter Reuther, Milton Eisenhower, Ed Murrow, State, and Treasury. Opposed are Richard Nixon, Barry Goldwater, Homer Capehart, and conservative Democrats like Senator Byrd and Senator Eastland. The motive of the Administration is easy to descry: it's an attempt, under the guise of humanitarianism, to salvage the political losses incurred in the Administration's ghastly handling of the April 17 invasion effort. The motives of the opposition are less clear. Senator Capehart's proposals, to deny tax exemption to the fund-raisers and to question the legality of the fund appeal under the Logan Act, may proceed from a generally stated distaste for blackmail. Politically it will be difficult to oppose any act of "humanity." The conservative Republicans and Democrats who are leading this opposition should make it clear that they are taking their stand on principle, in high-minded disregard of the political consequences, with a courage that President Kennedy would do well to admire not in profile but in full face.



Behrendt, *Algemeen Handelsblad*, Amsterdam
 "... and it all started so well!"

● The Gallup Poll, which so often eases the way for politicians mischief-bound, finally devised a formulation by which to extract from the general public what looks like a softened position on Red China. A headline in one paper recently read, "IMPROVED CHINA LINKS FAVORED." The casual reader will suppose that the majority of the American people favor recognition of Red China, since "improved links" calls that to mind. The actual question put by the interrogators turns out to be: "Do you think the United States should or should not take steps to improve our relations with Communist China?" And that, of course, is a meaningless question. How would a thoughtful man answer the question, "Do you think we should or should not take steps to improve our relations with the devil?" Do we want to improve relations with him?

If so, how? If we were asked that question, about Red China, we should answer: Yes, we should improve our relations with Red China. By such steps as economic embargoes, the strengthening of SEATO, support of the Tibetan freedom struggle, armed resistance in Laos, the encouragement of a Free Asian military force, repelling incursions into Indian territory, and a few other related steps. Our relations would improve for the reason that Communists respect will, force, and strength, and become infinitely less provocative when faced with it.

● Travel notes: in Florence, Italy, the United States Information Service dressed up its window a few weeks ago with a Civil War Centennial display consisting of two photographs and four volumes by Henry Steele Commager. In Vienna the main window of USIS's downtown office displayed a huge photograph of John Fitzgerald Kennedy, flanked by his inaugural address. Under the icons the litany was spread out for the faithful: *What I Think* and *The Call to Greatness* by Adlai Stevenson; *The Strategy of Peace* and *Profiles in Courage* by John Kennedy; *The Liberal Hour*, *The Affluent Society*, *American Capitalism* (German), and *Economics and the Art of Control* by Galbraith; *The Coming Political Breakthrough* and *Ideas, People and Peace* by Chester Bowles; *The Rise of the U.S.* by Schlesinger; *Realities of American Foreign Policy* by George Kennan; *Foreign Policy: The Next Phase* by Finletter; *The Promise of World Tensions* by Harlan Cleveland; and *The Stages of Economic Growth* by Walt Rostow. No wonder our "image" abroad is a bit cracked.

● Plans for a three-day general strike in South Africa to coincide with the proclamation of the new Republic had been in the making for months. Instruction had gone out to South Africa's Negroes from the African National Action Council to walk off the job, take to the streets and generally raise Cain to protest the government's apartheid policies. But when May 29—the target date—rolled around, only a handful of laborers stayed off the job and most of them trickled back to work by the second morning. The reason the strike failed was that the government had taken every measure in the book to prevent the mobs from gathering: it called up reserves; posted heavy security forces; rounded up political activists; broke up clandestine meetings and rallies; monitored the press and radio. This is strong medicine, but it works and points up a valuable lesson: by and large, world opinion will condone strongarm methods which prevent riots and condemn strongarm methods to put them down.

● The Federal Government, through the Community Facilities Administration, has approved a loan of \$3 million to build "dining facilities" for 433 men students at Syracuse University (New York). That leaves just 16,999,567 people who go to bed hungry every night. Thank you, Mr. President.

Victory

From Lyndon Johnson to John Tower in less than a year makes Texas easily the most progressive state in the Union. The historically important development is of course the laying of the ghost of Reconstruction Republicanism. The political importance derives from John Tower's tough conservatism, dramatized by his refusal to invite Richard Nixon into the state to campaign for him, while welcoming all efforts in his behalf by Senator Goldwater.

Much of the press has belittled the political meaning of Tower's victory by stressing the conservatism of his opponent, Blakley. We have been treated to a counterpart of the conventional conservative jeremiad: the Liberals' groaning that the choice in Texas was between Tweedledum and Tweedledee. In fact, Blakley, though a man of conservative temperament, is Lyndon Johnson's man, and would have voted in the Senate to impeach himself, if Johnson told him to. The voters visualized the contest not as between two conservatives, but as between a conservative, even a Republican conservative, and a Lyndon Johnson-man. In spite of the machine, the prestige of the Vice Presidency, and historical tradition, Tower won.

That victory has galvanized conservative forces all over the land.

Laos v. Geneva

At the first session of the Geneva talks on Laos, Red China accused the U.S. of sabotage and military threats in Southeast Asia and called Lyndon Johnson's voyage a threat to peace. The next day, the USSR called for veto power in the proposed control commission. (*Pravda* announced that the Soviet air-supply to the Laos rebels continued.) On May 18 Lord Home complained of "violent fighting" in Laos despite the cease-fire. (Krishna Menon asserted that a "*de facto* cease-fire" existed.) Next day, the U.S. said the Communists were trying to establish a dictatorship in Southeast Asia. (Kennedy announced his proposed meeting with Khrushchev.) On May 22 Poland demanded that the part of the SEATO Treaty referring to Laos be abrogated. (The Russian delegation hinted that the Laos problem be discussed by Kennedy and Khrushchev in early June.) Next, France proposed a multilateral neutrality charter. On May 24, Red China accused the U.S. of trying to colonize Laos. (In Laos, the rebel artillery started pounding.) The Laotian government reported violations of the cease-fire. The Soviet delegate took a "rather relaxed" attitude. (On May 26, after three days of artillery fire, the rebel troops advanced.) On May 29, the U.S. demanded, as a condition for further talks, verification of the cease-fire and supervision of it by the commission. (In Laos, the rebels used 75-mm artillery, mortar fire, and night attacks with troops; Communist guerrilla troops were reported to be

PEOPLE: First man to be tried for violation of 1959 Labor-Management Act, which forbids Communist Party members to hold union office, will be **Archie Brown**, West Coast Longshoreman who played such a prominent part in last year's HUAC riots in San Francisco. Attorney General **Robert Kennedy** says Brown held union office for five years while a CP member. . . . Organized: A Committee to Censure **James Roosevelt**. The Committee claims Roosevelt sent propaganda material in bulk (his speech in Congress against HUAC) free, on franked mail, to Communist leaders and Communist front groups. . . . The FBI reveals that former CBS newsman **Robert Taber**, national secretary of Fair Play for Cuba Committee, now on the lam in Cuba with \$19,000 in loot, served a sentence in Ohio for robbery and kidnapping.

French Socialist leader **Guy Mollet** has suggested to President **de Gaulle** that he turn his back on the UNR (the Gaullist Party) and base his parliamentary support on the Socialists, the left Gaullists and deputies representing the Socialist and Catholic labor federations. . . . Outraged comment by Labor MPs and leftist columnists in England did not deter British Foreign Secretary Lord **Home** from formally proposing that Spain be "brought into the Western community of nations" (i.e., invited to join NATO). . . . After **Kennedy** performance in recent weeks, a British diplomat commented: "He talks like **Winston Churchill**, acts like **Neville Chamberlain**." . . . **Richard Nixon's** reaction to JFK's first months in office: "I'm afraid he's going to demand a recount."

Election of Republican **John Tower** to Vice President **Johnson's** Senate seat, revived earlier boomlet for **Ray Bliss** (who is regarded as **Goldwater** man) as next GOP National Chairman, to succeed **Thruston Morton**. But the pros say this is just talk, that Rep. **William Miller** of New York will get the job. . . . Mrs. **Carroll Reece**, who was elected earlier this month to her late husband's House seat, says she'll vote the same way he would have—conservative. . . . **Charles H. Percy**, who masterminded last year's Republican platform, might oppose Senate Minority leader **Everett Dirksen** in next year's Illinois Republican primary. . . . Interesting sidelight: State Secretary **Rusk**, who opposed in principle the **Dulles**-style peripatetic diplomacy, has traveled twice as far as Foster Dulles in first four months in office (and accomplished half as much).

Appalled: The venerable Liberal League for Industrial Democracy (founders: **Upton Sinclair**, **Jack London**, **Clarence Darrow**) to find on its rolls as a member in good standing, one **Robert Welch**, Belmont 78, Mass.

infiltrating from Laos into South Vietnam.) The USSR refused to enter negotiations on the U.S. terms. No negotiation would be possible, they said, until after the Kennedy-Khrushchev meeting. On May 30, the USSR refused to reopen the meetings unless their proposals for neutrality in Laos were accepted as the first order of business. (Soviet planes were reported to be flying arms to the rebels; eight new violations of the cease-fire were reported.)

The Laos talks are a classic, "by-the-book" example of the Communists' use of parleys for military purposes. They have stalled the Western defense, gained ground in the theater of operations, and (most important, from their standpoint) shifted the debate from the conference table to the Summit Meeting. Nothing Mr. Kennedy can say will obliterate the fact that he, by accepting the terms, has scuttled the Geneva Conference on Laos.

Monetary Cosmetics

The Kennedy Administration has discovered a new treatment for the sagging features of the United States dollar: direct participation in the foreign currency markets. In these markets, currencies are bought and sold for delivery three months after the trading date. Whenever a currency has begun to decline in the so-called "forward" market, the decline has triggered a speculative flight from that currency into others, thus tending to aggravate the decline.

Knowing that the next "run" on the dollar might jeopardize our vestigial gold reserve, the Kennedy Administration has undertaken to conceal any sign of weakness in the forward market. Recently the new policy was successful, following the revaluation of the German mark, in staunching the flow from dollars to marks. In this operation the Federal Reserve sold, against dollars, marks supplied by the Bundesbank.

This latest maneuver follows a series of efforts to protect the dollar in international trade. The Multer bill, hearings on which have been postponed, would abolish the gold reserve clause and make our entire gold stock subject to foreign withdrawal. The Federal Reserve has indulged itself in the impossible fantasy that it can pry apart the money market by buying long bonds to lower their interest rates while leaving short-term bills and notes at relatively higher rates. High officials, who should know better, have suggested that we pay a fatter interest rate to foreign bond-holders than we do to domestic. We have urged our allies to carry some of our self-imposed burden of foreign aid and military assistance. We have forbidden Americans to own foreign gold. We have entered into stabilization pools with foreign central banks. We discussed, for a while, sending the servicemen's families home from overseas stations.

The dollar is sick, but instead of therapy the Kennedy witch-doctors prescribe a beauty treatment. This will not do. The dollar needs, more than anything else, one

• At Home •

Washington

Labor Secretary Goldberg, the Administration's most artful dodger, has once more demonstrated that the mouth is quicker than the eye. For his announcement that he "won" a no-strike pledge from the labor bosses at U. S. missile bases—hailed by those who should know better—takes the heat off the unions without correcting the abuses which delayed construction and skyrocketed costs. He has succeeded in quieting congressional clamor for legislation to restrain the International Brotherhood of Electrical Workers, the Operating Engineers, etc. from continuing their raids on the Treasury. But the agreement he negotiated will not step up the productivity of workers at missile sites from a shocking 40% of efficiency. (That figure comes from Democratic Senator John L. McClellan, chairman of the Senate Permanent Investigations Subcommittee.) Nor will it put an end to the 3% blackmail tax, exclusive of dues, exacted by the IBEW of any worker, no matter what union he belongs to, employed at Cape Canaveral.

According to the findings of the McClellan Committee, ditch-diggers at Cape Canaveral are paid \$287 a week, truck drivers \$324, elevator operators \$360, and sweepers \$250. After eight days of testimony, the Committee could find "no worker who did not exceed \$221 weekly." Operating at a cost-plus basis, contractors can pay these astronomical wages, but Uncle Sam pays the bills.

Washington is a city of news, but the press corps picks and chooses what it believes the public should know. On May 23, for example, the House Republican Policy Committee held a press conference to give punch to its support of the Captive Nations Week which so distresses Comrade Khrushchev. Reporters and television cameras recorded the event. But not one line appeared in the *New York Times*, the *Washington Post*, or any of the major papers checked by the Committee. On the same day, Republican National Chairman Thruston Morton, Representative William Miller (chairman of the Republican Congressional Committee, who is slated to succeed Mr. Morton), former National Chairman Arthur Summerfield, and Senator Barry Goldwater also held a press conference. Any of these men is newsworthy. But here again there was a press blackout. Said one Republican: "Probably the word went out that any reporter writing about these two press conferences would be barred for life from *Meet The Press*."

Though no one has yet suggested that Senator Albert Gore be censured for calling the Joint Chiefs of Staff "unfit"—O, shades of Senator McCarthy—and demand-

ing their immediate resignation, the attack has Capitol Hill puzzled. Senator Gore knew, as does most of official Washington, that the JCS approved the Cuban invasion on the basis of very sketchy information, that they were assured of a great popular uprising on the island, and that they qualified their approval by noting that sea and air cover would be required if success was to be assured. It was at first suggested that the Gore onslaught was prompted by White House advisers who wanted to get President Kennedy and the discredited Central Intelligence Agency off the hook for the disaster. But there are other facts which tend to show that Mr. Gore has been acting strangely in other matters. Friends report that he has been rude, short-tempered, dour, and that, as one associate puts it, "something is bugging him."

Something definitely is bugging Republican senators, however, and its name is Everett McKinley Dirksen. Since this session of Congress began, the Senate Republican leader has run away from every fight—unless prodded violently by his colleagues. He has missed repeated opportunity to smite the Democrats hip and thigh. He has fawned on Attorney General Robert Kennedy, failed to supply leadership on the Senate floor in fighting New Frontier legislation, and weakened the Republican-Southern Democratic coalition. It is reliably reported that this is not merely accident—that he was badly frightened by Democratic strength in his home state of Illinois last fall, and is seeking to create for himself a "Liberal image" in the hope that it will win over voters in 1962.

Hard on the heels of the anti-trust suit against General Motors, because it gambled heavily on the diesel locomotive engine and won, the Justice Department has continued its war on business by launching a flank attack on American Telephone and Telegraph. Anti-trust lawyers in the department concede privately that they have no case against AT&T. They admit that the corporation's affairs have been under intense study for many years. But headlines are what counts. A letter by the head of the Antitrust Division to a labor leader, implying litigation against AT&T, has been deliberately used to imply that some form of litigation is in the works. The propriety of this letter is highly questionable, and it has been suggested that a congressional investigation is very much in order. But the Democratic leadership in Congress would hardly permit this. After all, it is busy now on a piece of legislation which would cripple the railroads and deliver freight transportation to the Teamster-intimidated truckers. By such techniques as piggybacking, which take heavy trucks off the roads and facilitate the cheap movement of freight, the railroads have begun to stage a comeback. The Teamster-inspired measure, S-1193, would halt this process.

QUINCY

piece of therapy that might in itself suffice to re-establish its pre-eminence as a currency: a year or two of whopping surpluses in the federal budget.

BRIEFS: Story behind the sudden firing of France's fourth atomic bomb in the midst of the Generals' Revolt: Paris feared Gen. Challe might seize the bomb, the last of the four test bombs at the Reggane test base in the Sahara, and ordered Reggane to set it off—at once. . . . The wide-scale governmental reorganization now under study in France may see the Ministries of National Defense and of the Interior merged under a single Ministry of National Security. . . . **Natural rubber at end of May selling at four cents above January price. Reason: fear that Communist breakthrough in Laos will threaten rubber-producing Southeast Asia.** . . . In the Congo (outside Katanga) unemployment is up 50% over a year ago, exports off 50%. . . . In a radio broadcast last week, Fidel Castro called for the mobilization of 500,000 informers: that's one for every twelve Cubans. . . . Fair Play for Cuba Committee asks President Kennedy for Peace Corpsmen for Castro.

Republican congressional leaders estimate, on basis of President Kennedy's demands thus far, that National Budget will top \$125 billion by 1965. . . . **Administration itself figures JFK's ten-year Latin-American aid plan will cost \$13 billion (about the cost of the Marshall Plan in its first four years).** . . . Kennedy is pushing for an 18-year-old voting limit in District of Columbia which Democrats figure will add thousands of young Negroes to the rolls and secure three D.C. electors for Democratic Party. . . . There's talk in Alabama (since the Freedom Riders rode) of redistricting state in such a way as to favor candidacy of conservative anti-Kennedy candidates.

Commerce Department reports U.S. exports to the USSR and East European satellites hit a 13-year high in 1960 of \$193.4 million. . . . Red China is now Canada's third largest export market. . . . Nearly 350 British companies advertised in Soviet weeklies in 1960, according to official British count. . . . One of the parties dissolved by South Korean Gen. Chang in his crackdown on political activity: The National League of the Unemployed. . . . Alger Hiss reported trying to get a visa to Australia, where he has a job waiting.

The Massachusetts Association for Retarded Children, Inc., has named President Kennedy and his family as recipients of its first award for outstanding achievement.

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• Trends •

The strong business pickup has taken some key Administration experts by surprise. But they aren't cowed by the array of evidence that an allegedly sluggish economy has turned sharply upward. Not a bit. Instead, they're talking, incredibly enough, about how best to prime a pump that's likely to be gushing goods and services at a \$530 billion rate by year's end.

This curious insistence upon keeping alive the recession in the midst of plain recovery is supported by the most closely watched and least trustworthy statistic put out by the government—the monthly estimate of unemployment. It now stands a bit under 7% of the labor force, and the best guess is that it will drop to a shade under 6% by the end of the year if business keeps up its present momentum. That, in Washington's view, simply isn't good enough; it won't restore "full employment."

"Full employment" has been arbitrarily defined by Mr. Kennedy as a condition in which 4% of the labor force is estimated to be jobless; almost no one expects that that figure can be reached in less than a year, if then; hence, the stage is set for an Administration finding next fall that its suspicions are confirmed—recovery from the 1960-61 recession is "incomplete" and so government must assume the job-making role in spectacular fashion.

Any chance that the economy might wriggle out from under this argument is all but eliminated by the way Washington counts the unemployed. The methodology amply confirms the claim of the Labor Department's chief statistician: "We include almost everybody."

Each month, the government arrives at the critically important unemployment estimate by conducting what amounts to a public-opinion poll. Census Bureau interviewers visit 35,000 "scientifically selected" families in 333 areas across the country. All persons over fourteen years of age are counted as jobless if they say they: 1) are looking for work, or 2) were laid off but aren't looking because they expect to be recalled, or 3) are waiting to report to a job within 30 days and aren't in school, or 4) would be looking except that they were ill or *believed* nothing in their line was available in the community.

Under this all-inclusive definition, a quarter of a million teenagers, attending school full-time, qualify as "unemployed" because they are unable to find part-time work. Similarly, pensioners who profess interest in a job are put down as unemployed. The figures reported by state unemployment agencies are somewhat more reliable, but they too fail to draw any clear distinction between the genuinely jobless worker and the man or woman who prefers unemployment (and its subsidies) to the work available. One and all, hungry coal miners and married typists, are lumped together in the startling statistic: five million unemployed.

Foreigners are aghast at this polling technique. In April, 1959, Sweden tried the U.S. method as well as its own practice of counting only those who register at state

offices. The result: 136,000 unemployed under the U. S. method; 47,000 under Sweden's.

The excessive generosity of our government's definition of unemployment is explained by the experience of the Thirties. Adult Americans, by and large, dread being out of work with the same intensity that, say, the Germans dread inflation. Memories of long lines of despairing men and omnipresent apple-vendors are still powerful enough to bar criticism of the present system for embracing too many doubtful cases. And this encourages the politicians to stretch compassion (and spending) still further.

Yet it's hard, even for Harvard economists, to conjure up yesterday's spectre. In 1938, for example, it was 19%—unpadded by the present broad definition. There are no masses of unemployed today, no apple-sellers. Instead, many jobs go begging. In most of the nation's 100 or so "depressed areas," the newspapers carry columns of Help Wanted ads. This is not to say that unemployment does not weigh heavily in some areas (West Virginia's coal fields, Ohio's steel towns, California's aircraft centers): it is simply to restore the sense of proportion which government publicists are prone to ignore.

Common-sense prompts other questions. Why are teenagers included in the unemployment poll? Or pensioners? What about those who remain unemployed by choice, yet claim parity with victims of circumstance? That is surely unfair to the latter, whose aid is thus reduced by sharing with those who don't need it. Why, finally, should we look high and low for the jobless?

Because, one suspects, that would knock the unemployment problem down several pegs. By a sensible counting method, unemployment might well fall close to the "tolerable" level of 4%—without a push from Washington via big public works and handouts. Assuming an average labor force of some 72 million, 4% unemployment would mean perhaps three million persons jobless amid plentiful job opportunities they couldn't or wouldn't fill. That is about two million persons fewer than are presently unemployed.

Those who try to break up the Administration's numbers game will find help from an unexpected source. None other than Senator Douglas, writing in his book, *Economy in the National Government* (1952), made this observation about Beveridge's insistence that 3% unemployment constituted full employment in Britain:

"If we were to make such an application for the United States, I believe that a 3% test would be almost fatal. . . . Seasonal and transitional unemployment in this country would . . . be much nearer 6% than 3% of the employable work force. . . ."

"To use deficit financing in order to drive unemployment down below 6% is therefore very dangerous. It will tend to do far more harm through inflation than the good it will do by absorbing some of those who are unemployed from seasonal and transitional causes."

Like to borrow a book, Mr. President?

RICHARD WHALEN

• Abroad •

Hongkong. Cumulative evidence shows that the severity of the economic, in particular the agricultural, crisis within mainland China is even more extreme than the maximum estimates made last winter, following Peiping's first open admissions. The refugees, who continue to escape in large numbers, are in many cases suffering from extreme and crippling dietary deficiencies, which they report to be quite general throughout the countryside. The wheat from Canada and Australia is being used exclusively to feed the army. Peiping has stopped all efforts to attract overseas Chinese as students and trainees: a reversal of normal Communist procedure which is explicable only on the hypothesis that the regime fears that the overseas visitors would be lost rather than won by their observations and experiences. Many rural areas, especially in remote regions, are said to be in virtual passive revolt from the central authorities. Some anti-Communist observers believe that military operations, even on such a scale as would be reached in Laos if the West and SEATO decided to resist there, would put enough additional strain on Mao's harassed regime to open up major cracks.

Paris. Observers here very much doubted that President de Gaulle would lend a receptive ear to any proposals by President Kennedy for a suspension of France's nuclear arms tests. Behind de Gaulle's dogged persistence in nuclear weapons development and his "trouble-making" in NATO is his doubt that Washington is prepared to launch U.S.-controlled nuclear weapons in the event of a Soviet attack on Europe—short, perhaps of an all-out direct Soviet race to the Atlantic. As one observer has put it: Many Europeans "may reasonably come to doubt the Americans' willingness to blow up Moscow and Washington just because Paris or London has gone up in radioactive dust." De Gaulle interpreted the stress on conventional arms as against even tactical nuclear devices at the recent Oslo NATO meeting as further grounds for doubt.

Tokyo. Southeast Asian visitors have been much alarmed at confidential estimates given them by the serious anti-Communists among the Japanese leaders. The net conclusions are that: a) the economic situation is extra-ordinarily strong; b) the political situation is exceedingly weak. In the labor organizations, among the youth and intellectuals, and in both socialist parties, the Communists have made deep penetrations. The cancellation of the visit of even Private Citizen Eisenhower symbolized the government's fear that it could not control events if the Communists decided on all-out action. Some fear that the Communists will soon be in a position to threaten an overthrow not merely of the government but of the regime.

Milan. The conservative Italian magazine, *Borghese*, has exposed in detail the method by which Italian Big Business is presently financing Italy's subversion. With the cooperation of the Demochristian government, trade with the

Sino-Soviet bloc is large and increasing. But Moscow so arranges matters that all important transactions must be handled through institutions controlled by the Italian Communist Party (which *Borghese* rechristens the Italian Capitalist Party). These institutions are administered by the Party's "Economic Commission," headed by two Communist deputies (Bolderini and Turchi) and two functionaries (Cenerini and Forconi), which operates through ten corporations each specializing in a particular economic field. Italian Communists have arranged the recent big petroleum deals between the semi state-owned energy monopoly, ENI, run by the ambitious Enrico Mattei, and both Moscow and Peiping. In such ways, the Italian Party is drawing down some millions of dollars a year for its own uses.



Vicky, London Evening Standard

West Berlin. Siegfried Ihle, formerly an employee of the Leipzig (Communist) radio station, and Guenter Zehm, a former philosophy teacher at Jena (also East German) university, defected last month. Until March, both had been for some years among the thousands of political prisoners in East German prisons. They have told how things are going with the officially no-longer-existent political prisoners: fourteen-year-olds sentenced to fifteen years for making jokes about Ulbricht; the "interrogatory arrest" of Eric Loest for premature praise of Gomulka—a status which means living in a cell furnished solely by a bench, with bright lights day and night, and nothing to read, or, except for submission to frequent beatings, to do; whipping of a seven-year-old boy until he "confessed" the names of "confederates" who were then, also, promptly jailed.

Bonn. The Federal Government has prepared a law for submission to the Bundestag, which will forbid all human artificial insemination, except in the special case of a husband-donor, with the knowledge and consent of both spouses. This is the first time that any major nation has taken an official stand on the practice of artificial insemination, with the donor usually not the husband, that has been spreading rapidly in Britain, France, Germany and other European nations, and beginning to give rise to grave moral, religious, social and legal problems.

• The Investor •

President Kennedy has frankly admitted in speeches that we are the most backward country in the Western world in our depreciation policies. He has recognized that we cannot compete for long in world markets with obsolete machinery and equipment. "Obsolescence," he said, "is slowing down our growth, handicapping our productivity and worsening our competitive position abroad."

But his proposals for dealing with our depreciation sickness are ill-conceived. And the adoption of his program—as it is now presented—could have extremely serious results. Failure to meet this issue head on, particularly on the part of an Administration which talks incessantly about increasing the growth rate of the U.S. economy, suggests that the growth of the economy has been subordinated to other considerations, political in nature.

The Administration proposal embodies the ideas of professors Walter Heller of Minnesota and Stanley Surrey of Harvard. What they have recommended is nothing but a stop-gap, a lopsided depreciation patchwork.

One could excuse the Administration on the grounds that there has been too little time for the formulation of a depreciation tax law. Except for the fact that the Treasury has studied this matter for many years and both House and Senate committees explored it intensively in 1959 and made specific recommendations. These studies provide plenty of groundwork on which to construct legislation.

The depreciation gimmick recommended by Mr. Kennedy's aides and submitted to Congress with the President's approval is a tax rebate for businesses spending more than their annual depreciation allowance. For instance, a company with \$1 million in depreciation charges in 1961 would receive a 6% tax rebate on \$500,000 (\$30,000) if capital expenditures aggregated \$1 million; and, in addition it would receive a 15% rebate on capital expenditures above \$1 million. The limit of the tax rebate is 30% of a company's total income tax liability.

What would be the probable result, should Congress pass the Administration plan? Since a comprehensive program is promised for 1962, some managements would be spurred by a substantial tax rebate now to bunch capital expenditures into one year and to defer other, badly needed, expenditures. Insofar as the tax bill induces managements to do this, it will produce certain undesirable reactions.

For those businesses whose planned capital expenditures already far exceed depreciation allowances, the proposed tax rebate is a welcome subsidy. Such businesses are ready for fast growth and the new tax bill will not encourage them to make any capital outlay they would not make anyway. In contrast, those companies whose business has been static or declining are not, by the very virtue of this fact, making current capital expenditures in excess of their depreciations charges. Such companies get no tax encouragement to modernize their plants and equipment. And it is in this area of business that most of the obsolete ma-

chinery and equipment, which it is so necessary to replace, is to be found.

It may well be that a shot-in-the-arm tax rebate measure will stimulate the business of machinery and equipment manufacturers. But if this is followed a year later by a cutback in the volume of business, it could have serious economic consequences. Producers of capital goods cannot base their long-range plans to develop more productive machinery on periodic congressional hypodermic shots into the economy.

There is no arguing with the fact that the most powerful incentive for industry to throw out obsolete equipment and replace it with the most efficient machinery available would be a permanent depreciation reform cutting the tax life of machinery and capital equipment to a 10-year-life maximum and permitting management to compute depreciation by the so-called "triple" declining balance method.

Secretary of the Treasury Dillon does not question the efficacy of such a tax reform. But he says we cannot afford it. *Paradoxically, we seem unable to afford the means by which it would be possible to increase the rate of growth of our economy.*

Adoption of a simple, equitable depreciation tax measure would eliminate much of our present obsolescent machinery, but its effects would not stop there. It would also speed the rate of obsolescence of the nation's installed equipment. And the builders of capital equipment, knowing that their customers could recover a large part of their capital outlay within a very few years, would research ways to create still newer equipment with better performance. In this manner, the whole process of generating more efficient production and improving the nation's standard of living is accelerated.

Congress shows signs of dissatisfaction with the Kennedy-Heller-Surrey-Dillon proposal, which means there still could be hope for an overall and worthwhile depreciation tax bill. If such legislation could be counted on in 1962, it would be better to wait rather than press now for a stop-gap measure. Unfortunately, a postponement of depreciation legislation until 1962 does not necessarily assure us of anything then.

There is no need just now for hypodermics to keep the business patient alive. Business, since February, has been up. Company executives, who control capital expenditures, respond to improving sales as the earth to the warming sun of spring. Plans for business capital expenditure are underway and the rate of the rise may be expected to accelerate, judging from past recovery experience.

Striking evidence of this is the sharp 39% rise in March in new orders for machine tools, which are looked upon as a barometer of industrial capital spending. The years 1961-1962 give promise of a substantial cyclical economic advance. An intelligent revision of depreciation tax laws in 1961 or 1962 could place the makers of machine tool machinery and other capital equipment on a permanently higher sales level. Without it, a significantly increased rate of growth in our standard of living is unlikely.

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